



COLOMBIA: MARKET OVERVIEW

PLASTICS MACHINERY AND EQUIPMENT

Soledad de Salguero
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SUMMARY

The plastics sector is one of the most dynamic of the Colombian economy as it serves most industries. The Colombian plastics processing industry was stable in 2005 and 2006. According to the National Plastics Association (Acoplásticos), the good performance of the Colombian economy has contributed to the good results achieved in the activities of the plastic sector, as shown by export and local sales indicators.

During 2006 the Colombian economy grew by 6.8 percent, driven mainly by the manufacturing sector that showed a positive growth of 10.7 percent. The manufacturing industry has been growing dynamically in the last few years. In 2004 and 2005, the industry experienced growths of 7.17 percent and 3.94 percent respectively and in 2006 it grew 5.8 percent. Similarly, the good performance of the construction sector, which grew by 8.92 percent in 2006, has generated a positive impact on the demand for plastic products.

Imports of plastic machinery and equipment in 2004 were estimated at USD \$ 62.6 million, in 2005 they were USD \$ 66.3 million and in 2006 they were USD \$ 75.4 million. U.S., China, Germany, Italy, Canada, Taiwan and France had the highest market shares respectively.

MARKET DEMAND

- The plastic sector is one of the fastest growing sectors in Colombia. It has a proven export track record, adequate availability of raw materials and a substantial inflow of foreign investment.
- In 2005 and 2006, plastics sector sales grew 39 percent and 21 percent respectively.
- The sector has access to skilled labor and competitive wage levels as compared to other countries in the region.
- The plastic sector has 484 establishments, equivalent to 7 percent of the 7,249 establishments of the manufacturing sector in Colombia.
- The local demand for plastic materials and resins is estimated at 623,000 tons per year, assuming a consumption of 14.6 kilos of plastic products per capita.

- The packaging and bottling industries serving the food processing, health, cosmetics, house cleaning, industrial products, and lubricating products markets are the major clients for plastics machinery, materials and resins, followed by the construction sector.
- Manufacturing, another important plastic products' end-user, grew by 5.8 percent in 2006. The above industries use approximately seventy-two percent of the total imported and locally manufactured plastics machinery.
- Extrusion has the largest demand of plastic resins and raw materials accounting for 63 percent of the market. Injection accounts for 16 percent, blowing 11 percent, and calendaring, thermoforming, and molding accounting for ten percent.
- The development of the plastics sector depends directly on the development of the petrochemical sector and imports. A brief description of the Colombian petrochemical industry follows.

(1) The Colombian Oil Company – Ecopetrol

The Colombian Oil Company (Ecopetrol-Empresa Colombiana de Petroleos) was established on January 30, 1951. Ecopetrol is the government agency in charge of the direct management and administration of Colombian oil reserves. Ecopetrol supplies 75 percent of all refined products and a good percentage of the basic petrochemical raw materials needed by Colombian industries.

Ecopetrol through its major project “The Cartagena Refinery Master Plan” (PMD) aims to modernize and expand its refinery. The Cartagena Refinery is a fully integrated oil refinery situated in the Industrial Zone of Mamonal, 30 minutes South-West of Cartagena in Colombia. The refinery has a current processing capacity of 80,000 barrels crude oil per day and produces a wide range of petroleum products. An extensive upgrade and expansion project is currently underway which will increase crude processing capacity to a total of 150,000 barrels per day and allow for the production of ultra low sulphur gasoline and diesel from a heavy crude oil slate. Glencore through a subsidiary owns 51 percent of Refineria de Cartagena S.A. Ecopetrol S.A. will continue to be the operator of the Cartagena Refinery through a mandate contract executed by the new company until such time as the upgrade starts operating, which is estimated for late 2010.

(2) Private Industry

The Colombian private petrochemical industry started to develop in the late 1950's around the production of finished plastic products, paints, tires, synthetic fibers, and agricultural chemicals. Initially, one hundred percent of the plastic machinery and raw materials were imported. Key players in the petrochemical industry are: Sanford Group and Ajoever Group. They are engaged in the manufacturing of resins and finished products.

A new petrochemical and plastics cluster will be developed at the Mamonal industrial La Candelaria duty free zone in Cartagena. The initial investment of USD \$150 million will be spent

on construction of infrastructure. By 2010, an additional USD \$50 million investment will be needed for the plants that will operate at the new cluster, which includes Sanford, Aditivos y Servicios Industriales, Surtiminas, Plasticos Rimax, Truher, Ciplas, Glormed Colombia and Polibarq. All these companies are potential buyers of plastics machinery and equipment.

MARKET DATA

Statistical Data and Notes

	Year 2004	Year 2005	Year 2006	Percent of Growth for Next Two Years 2007-2008 *
Import Market	62.5	66.3	75.4	5%
Local Production	0.7	0.7	0.8	4%
Exports	2.0	1.9	7.9	3%
Total Market	61.2	65.1	68.3	4%

(*) Estimated figures

1. General Economic Situation

During the last four years, Colombia has become one of the most optimistic, stable and recovering economies in the region. This economic growth is in part because of austere government budgets, focused efforts to reduce public debt levels, an export-oriented growth strategy, an improved security situation in the country, and high commodity prices.

Most economic indicators were positive during 2006. Inflation continued to drop for a fourth consecutive year (6.5 percent in 2003, 5.5 percent in 2004, 4.9 percent in 2005, and 4.5 in 2006). The inflation target projected for 2007 is 4.2 percent. The main economic challenge today is to keep fiscal and monetary policies oriented to medium-term growth with low inflation and a flexible exchange rate. Colombia's economy expanded 6.8 percent in 2006, and is expected to surpass the 7.0 percent growth this year. Total foreign reserves increased from US \$14.9 billion in 2005 to US \$15.4 billion by December 2006.

In 2006, Colombia was the United States' fifth-largest export market in the Western Hemisphere behind Canada, Mexico, Brazil and Venezuela. U.S. exports to Colombia in 2006 were US \$8.2 billion, up 12% from the previous year. Corresponding U.S. imports from Colombia were US \$9.3 billion, up 16% from 2005. The United States is Colombia's largest trading partner, representing about 42% of Colombia's exports and 36.8% of its imports.

Colombia has been engaged in an ambitious internationalization process that includes an opening of the economy and the negotiation of several major integration agreements aiming to give the country access to a market of over 1.1 billion people. These agreements create an export platform that provides Colombia with easy access to the U.S., Europe and Latin America markets.

On November 22, 2006, the United States and Colombia signed a Trade Promotion Agreement (TPA) to replace and extend existing trade preferences, known as the Andean Trade Promotion and Eradication Act (ATPDEA). This Agreement will foster a very significant expansion of trade and investments between the two countries. The Agreement was approved in Colombia this past July and is currently being reviewed by the U.S. Congress.

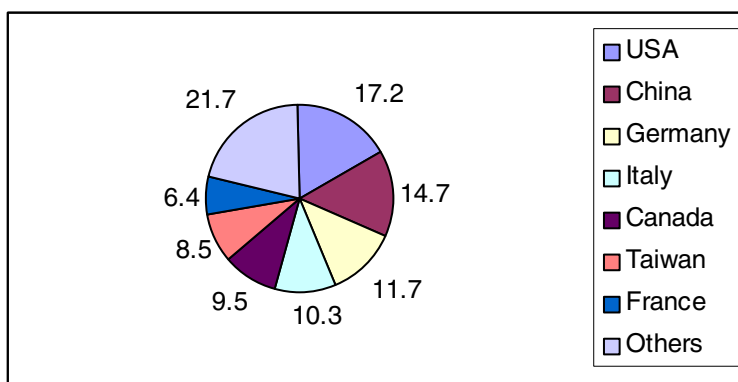
2. Domestic Production

There is no domestic production of any type of machinery used by the plastics products industry. There are approximately twenty companies in the metalworking sector that provide mold manufacturing and repair services. Therefore, local manufactures of plastic products rely mostly on imported plastics machinery and equipment.

3. Imports

According to statistics gathered by the National Institute of Statistics, imports of plastic machinery and equipment in 2004 were estimated at USD \$ 62.6 million. In 2005 reported imports were USD \$ 66.3 million and in 2006 they were USD \$ 75.4 million. U.S., China, Germany, Italy, Canada, Taiwan and France had the highest market shares. Other countries like Brazil, Spain, United Kingdom had minimum shares in 2004-2006 period.

Import Market Share Percentage for USA and Major Competitors in 2006



Sources:

The National Bureau of Statistics (DANE-Departamento Nacional de Estadística)
The Colombian Federation of Merchants-Fenalco

The local plastics industry association: Acoplasticos
The local industrialists association: Andi

4. U.S. Market Position

The U.S. has traditionally been Colombia's most important trading partner for imports of plastic machinery and equipment, and in 2004 to 2006 it accounted for approximately 18.5 percent of imports for that equipment. In 2004, U.S. exports to Colombia of plastic machinery and equipment were USD \$ 14.5 million, in 2005 USD \$ 10.2 million and in 2006 USD \$ 13.0 million. Industry experts forecast that 2007 total imports of plastic machinery and equipment may grow five percent considering the expectations of the local plastics transformers to increase their exports to Central America and South America under the Free Trade Agreements that became effective recently.

5. Major U.S. Companies in the Market

Among a long list of U.S. suppliers, the following U.S. brands are the most common in the Colombian market: Black Clawson; Dynisco Extrusion; Egan Davis-Standard; Unadyn; NDC Systems; Century Specialties; Polytype America; Welex, Inc.; Extrusion Dies, Inc.; Cumberland; Xaloy; Ferromatik-Milacron; Elf Machinery; Apex Machinery; Fischer & Krecke; Inspector Plastics Moulds; Dukane Corp.; DME Co.; Bevco Plastic Co.; Bellis & Morcom Inc.; Battenfeld Gloucester Engineering; Rafa Machinery; Uniloy Milacron; and Filler Specialties.

BEST PROSPECTS

The following sub-headings represent the best sales prospects:

Harmonized Colombian Tariff Schedule	Product Description
8477.10	Injection molding machines
8477.20	Extruders
8477.30	Blow-molding machines
8477.40	Vacuum-molding machines and other thermoforming machines
8477.80	Other machinery for molding or forming inner tubes
8477.90	Parts and accessories for the above machinery

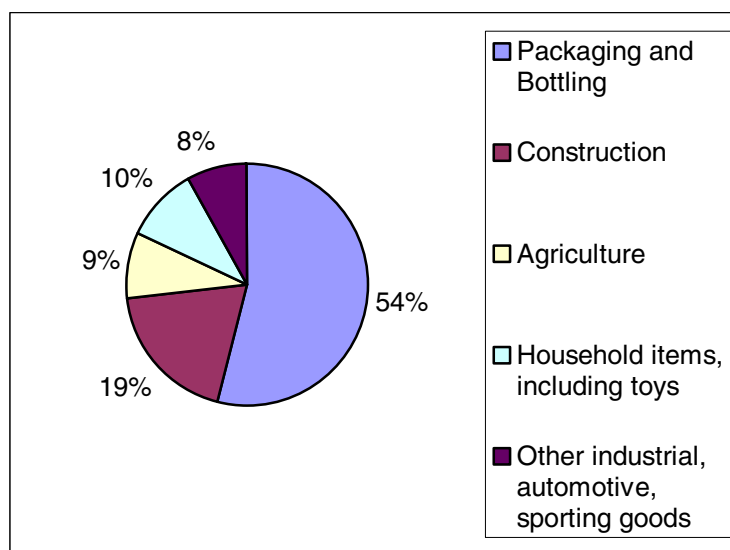
PROSPECTIVE BUYERS

The plastics industry is interrelated with most other Colombian manufacturing industries and has followed the local production demand closely. The plastics products processing industry has grown significantly in the last few years. In 2006, the annual growth of this sector was 7 percent and surpassed the overall industrial growth. The good performance of the construction sector,

which grew 8.92 percent in 2006, has generated a positive impact on the demand for plastic products. The transformation of the packaging concept has created a great number of different types of plastic container producing firms with all of the related sectors such as plastic raw materials, additives, and automated process control systems.

The most important end-users for plastic container and packaging machinery are the manufacturers of bottles, containers and plastic packaging for beverages, chemical, cosmetics, and food industry.

A small comparison table denotes the type of equipment end users by industry:



According to statistics gathered at the local association of plastics industries (ACOPLASTICOS), which also groups importers, agents, and distributors of equipment, plastic materials and resins, rubber, paints, inks, and synthetic fibers), there are 1,200 small and medium-sized manufacturers of plastics products in Colombia, as well as a few large ones. There are some 484 establishments with approximately 200,000 employees.

Acoplasticos is comprised of 415 industries, most of which are small and medium-sized firms. It publishes a very complete annual report "Plasticos en Colombia" where it lists the firm by sector. The publication dedicates a chapter to the major Colombian firms and their main manufacturing processes (injection, extrusion, co-extrusion, thermoforming and thermosetting, and molds, etc.)

MARKET ENTRY

1. Distribution Business Practices

- The traditional way to sell plastic machinery and equipment in Colombia is through representatives.
- A key element for success in marketing plastic machinery and equipment is to appoint a reliable and well-trained sales representative, who is able to provide prompt service.
- U.S. manufacturers should maintain close contact with their local agents-distributors and/or representatives and should familiarize themselves with U.S. products through training and demonstrations. European, Korean and Chinese manufacturers within the sector use this strategy effectively in Colombia.
- Sales promotion techniques are generally those typical of the sector. Techniques used are well-planned mass promotional campaign, technical seminars, plant visits and familiarization with the products through brochures and technical information on the Internet.
- For companies new to market, advertising in specialized magazines, business newspapers or business publications are also common.

2. Financing

Colombian companies in the plastic sector (end users or distributors) use mainly commercial bank financing for their business operations. The major Colombian commercial banks provide typical bank services, such as transfer of funds, letters of credit, and money orders. They have correspondent banks in the United States, and some of them own banks in the United States.

Most imports of plastic machinery and equipment are paid via irrevocable letter of credit, payable on sight against shipping documents. A few firms may extend terms to 60 or 90 days by time of the draft, but this is not common practice. When a satisfactory trade relationship has been established, terms are those generally applied in international trade.

MARKET ISSUES & OBSTACLES

1. Colombian Tariffs

Import duties range from five to fifteen percent. All imports of plastic machinery and equipment are subject to a fifteen percent value-added tax (IVA). This tax is assessed on the CIF value of the merchandise plus the import tariff. There are not restrictions for imports of this machinery.

2. Documentation

U.S. exporters must be aware that their importers in Colombia must follow the basic steps to complete an import transaction into Colombia. The following are the main steps to be followed:

- Fill out the "Import Declaration" (Declaracion de Importacion) when the importation value is equal or more than US \$1,000
- A Customs Intermediary Company (Sociedad de Intermediacion Aduanera –SIA) should do all the paperwork and get the shipment out of Customs.
- Fill out the "Andean Custom Value Declaration" (Declaracion Andina de Valor en Aduana) when the importation value is equal or more than US \$5,000 FOB.

- Go to an authorized financial entity and pay the import duties, value-added tax, surcharges and other fees.
- Present all documents to Customs. Customs inspects the merchandise, when they consider it necessary, and then authorizes removal of goods.

With the implementation of the CAN-MERCOSUR, G-3, and Chile free trade agreements, and other agreements that will be signed with Central American countries, Colombia became the most important trade gateway of the Americas, integrating the north and the south, boosting foreign investment and thus strengthening Colombia's position for the negotiations of a trade agreement with the U.S.

TRADE EVENTS

COLOMBIAPLAST AND EXPOEMPAQUE 2008

Date: October 2-6, 2008

Location: Bogota fairgrounds

Show Organizer: Acoplasticos

E-mail: asistencia@acoplasticos.org

BOGOTA INTERNATIONAL TRADE FAIR 2008

Date: October 2-6, 2008

Location: Corferias Convention Center

Show Organizer: Corferias

E-mail: tmunoz@corferias.com

The Bogota International Trade Fair 2008, Colombia's principal industrial and commercial fair held biennially in even-numbered years, is a major promotional vehicle, where the most advanced machinery, equipment, production processes, raw materials, services are on display.

RESOURCES AND KEY CONTACTS

ACOPLASTICOS (Association of Plastic Industries): www.acoplasticos.org

DIAN (Colombian Customs): www.dian.gov.co

Colombian Government: www.gobiernoenlinea.gov.co

DANE (Statistics Bureau): www.dane.gov.co

ANDI (National Industrialists Association): www.andi.com.co

FENALCO (National Merchants Federation): www.fenalco.com.co

CORFERIAS (Bogota Fairgrounds): www.corferias.com.co

For More Information:

Contact the U.S Commercial Service in Bogotá, Colombia via e-mail at soledad.salguero@mail.doc.gov

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